

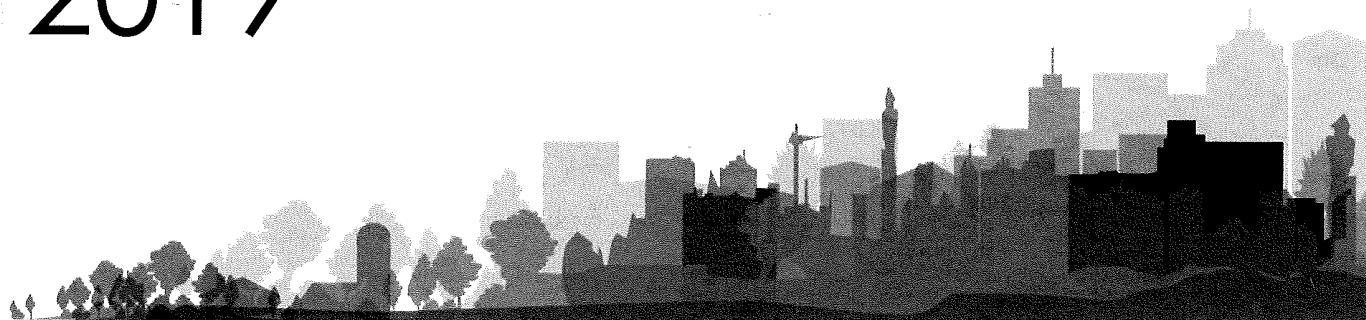
SECRET



INFRASTRUCTURE CANADA

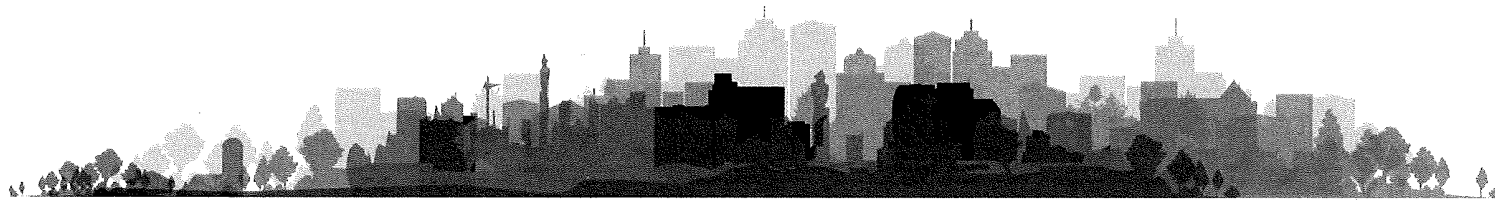
GAS TAX FUND

2019



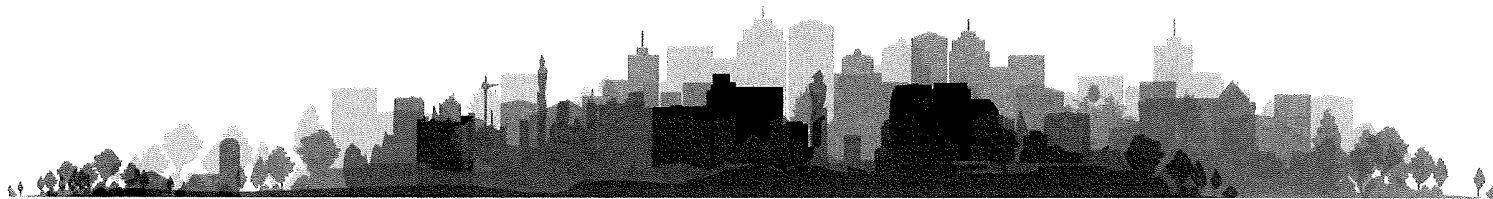
PURPOSE

- The Gas Tax Fund (GTF) provides over \$2.2 billion in permanent, legislated and indexed funding for local governments to address their infrastructure priorities
- It is allocated to provinces, territories and First Nations on a per capita basis
- It is managed entirely by provinces, territories, municipal associations, the City of Toronto and Indigenous Services Canada
- The program is flexible; signatories can design a delivery model that works for their jurisdiction
- Unlike other federal programs, up to 100% federal GTF funding may be leveraged
- Funds can be banked, borrowed against and accrue interest for long term planning purposes



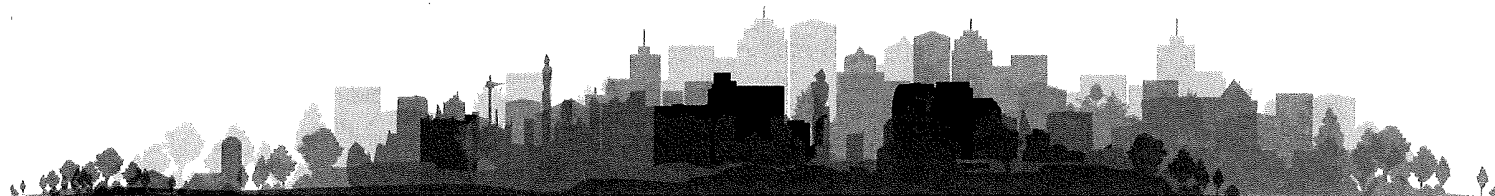
HISTORICAL CONTEXT

- 2005 – launched with \$5 billion in funding over five years with a focus on environmental outcomes
- 2007 – extended with additional funding of \$8 billion
- 2011 – legislated as permanent at \$2 billion per year
- 2013 – indexed at 2% per year, added 11 new categories of investment with new national objectives of productivity and economic growth, and strong cities and communities
- 2014 – 10-year Administrative Agreements are in place (2014-2024)
- 2016 – uncommitted funds from legacy programs results in a \$30 million transfer
- 2019 – one-time \$2.2 billion top-up transfer



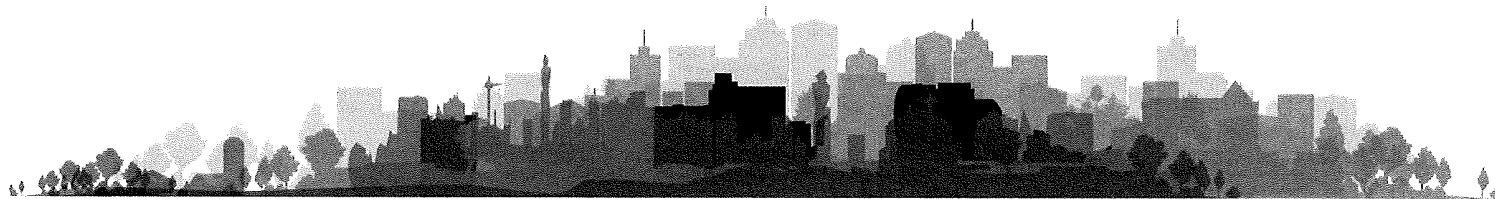
YOUR ROLE

- You are a co-signatory to the GTF Administrative Agreements
- GTF funding is statutory, sourced from the Consolidated Revenue Fund
- On an annual basis, you exercise the authority to expend GTF funds through a letter to your counterparts confirming the annual allocation for that fiscal year
 - Funds may be withheld until compliance is demonstrated
- The Agreements set out the accountability framework for the achievement of program outcomes, they are not legally binding contracts
 - The current set of Agreements run until March 1, 2024, unless renewed



FLEXIBLE APPROACH

- The way the funding is distributed in each province or territory varies from jurisdiction to jurisdiction
- The annual allocation flows in two equal advance payments
- Broad number of categories for investment to respond to regional needs, most popular being public transit in large cities, roads and drinking/waste water in smaller communities
- Municipalities select projects according to their priorities; there is no federal role in project selection
- Reporting occurs after funding has flowed but is necessary to monitor for compliance



SECRET

FUNDING ALLOCATIONS

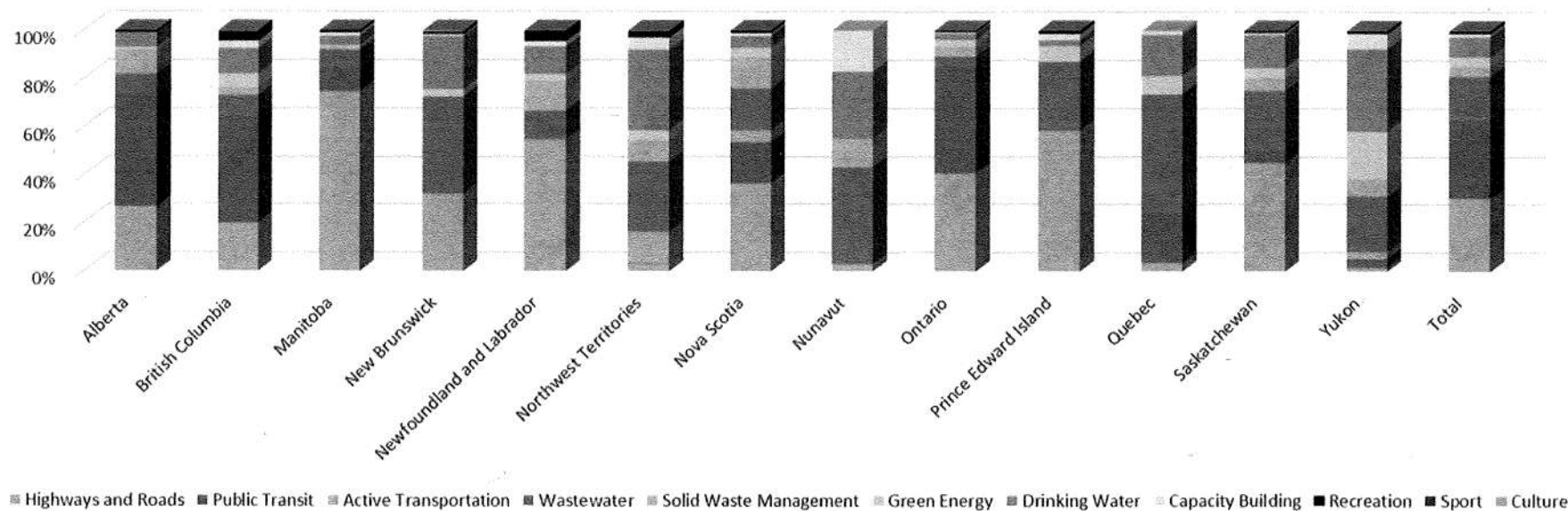
Province/territory	% Total Allocation	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
British Columbia	12.7%	280,416,420	280,416,420	293,162,621	293,162,621	305,908,822	1,453,066,904
Alberta	11.1%	244,029,220	244,029,220	255,121,458	255,121,458	266,213,695	1,264,515,051
Saskatchewan	2.8%	62,571,380	62,571,380	65,415,534	65,415,534	68,259,687	324,233,515
Manitoba	3.3%	72,510,828	72,510,828	75,806,775	75,806,775	79,102,722	375,737,928
Ontario	37.1%	816,507,200	816,507,200	853,621,164	853,621,164	890,735,127	4,230,991,855
Quebec	22.5%	495,770,253	495,770,253	518,305,265	518,305,265	540,840,276	2,568,991,312
New Brunswick	2.0%	45,098,015	45,098,015	47,147,924	47,147,924	49,197,834	233,689,712
Nova Scotia	2.5%	55,829,094	55,829,094	58,366,780	58,366,780	60,904,466	289,296,214
Prince Edward Island	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Newfoundland and Labrador	1.4%	31,583,477	31,583,477	33,019,089	33,019,089	34,454,702	163,659,834
Yukon	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Northwest Territories	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Nunavut	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
First Nations	1.3%	29,684,113	29,684,113	31,033,391	31,033,391	32,382,668	153,817,676
Total	100.0%	\$2,200,000,000	\$2,200,000,000	\$2,300,000,000	\$2,300,000,000	\$2,400,000,000	\$11,400,000,000

* The federal Gas Tax Fund is allocated on a per-capita basis for provinces, territories and First Nations, but provides a base funding amount of 0.75 per cent of total annual funding for Prince Edward Island and each territory. The agreements through which the Gas Tax Fund is administered will be renegotiated in 2024.

SECRET

FUNDING BY JURISDICTION AND CATEGORY

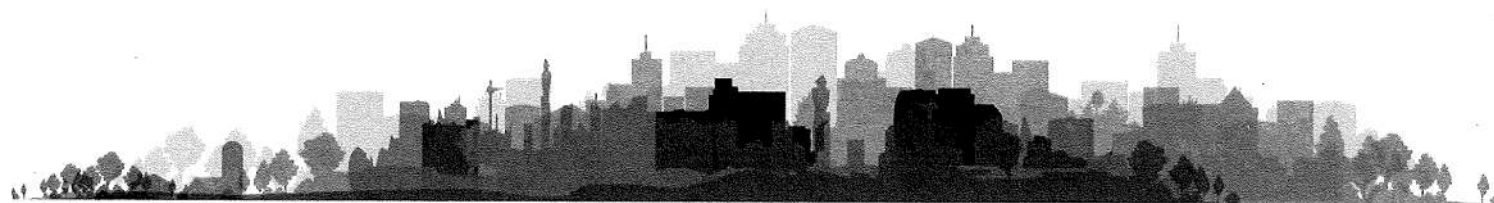
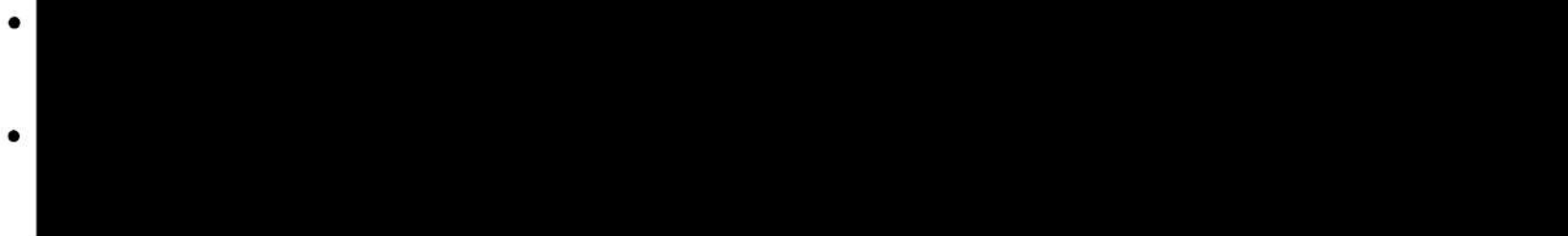
Gas Tax Project Spending by Category and PT (2005-2018)



SECRET

DELIVERY PARTNERS


- The Program is delivered on behalf of the Government of Canada through:
 - Provincial and territorial governments;
 - Municipal associations (Association of Municipalities of Ontario; Union of British Columbia Municipalities)
 - City of Toronto
- Ultimate recipients undertaking infrastructure projects are local governments

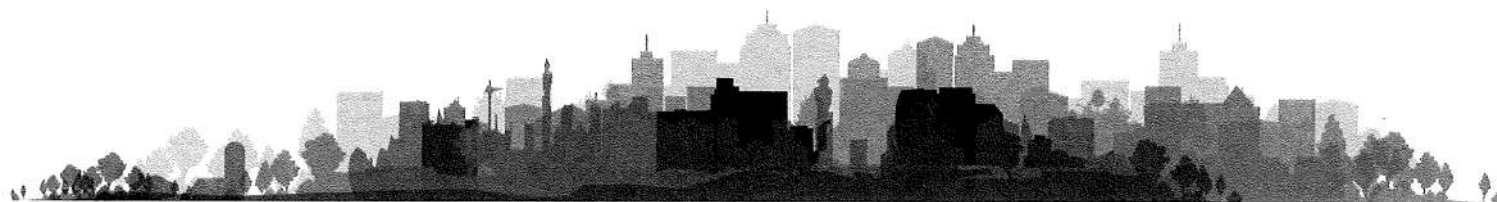


SECRET

FEDERATION OF CANADIAN MUNICIPALITIES (FCM)

- As one of the key organizations representing municipalities in Canada, the FCM has a strong interest in the Program
- The FCM advocated for a doubling of the GTF, as well as increasing the legislated indexation rate from 2% to 3.5% and a change of name to the program

- 
- The FCM will likely raise these requests in their interactions with you
 - The FCM was a key advocate for advancing asset management under GTF in 2014

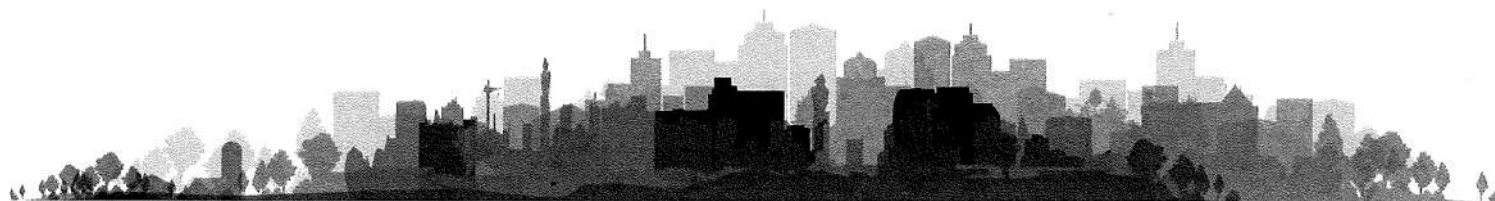


SECRET

CHALLENGES

- Making progress on reporting nationally on the changes or impacts of GTF funds, in response to the 2016 Report of the Commissioner of the Environment and Sustainable Development

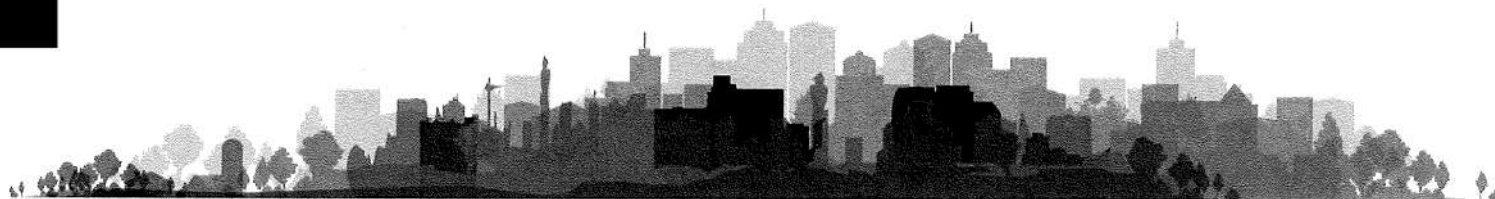
- [REDACTED]



SECRET

OPPORTUNITIES

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Consultations with signatories on the renewal of GTF Agreements are expected [REDACTED]
[REDACTED]





Gas Tax Fund 101

Infrastructure Canada
October 2019

Canada

Launch of the Gas Tax Fund

- The Gas Tax Fund (GTF) was launched in 2005 as part of the New Deal for Cities and Communities to provide municipalities with \$5 billion in predictable funding over five years.
- Transformative and innovative program that initially focused on environmental outcomes - clean water, clean air and reduced greenhouse gases.

Gas Tax Fund	Typical Infrastructure Programs
<ul style="list-style-type: none">• Up-front funding	<ul style="list-style-type: none">• Reimbursement model
<ul style="list-style-type: none">• Local decision-making	<ul style="list-style-type: none">• Federal-provincial project selection
<ul style="list-style-type: none">• Up to 100% of eligible costs	<ul style="list-style-type: none">• Cost-shared
<ul style="list-style-type: none">• Can bank funds and use to borrow against	<ul style="list-style-type: none">• No banking
<ul style="list-style-type: none">• Signatories include municipal associations and City of Toronto	<ul style="list-style-type: none">• Signatories are Provinces and Territories
<ul style="list-style-type: none">• Focused on environmental outcomes	<ul style="list-style-type: none">• Broad range of categories aligned with program outcomes

Evolution of the Program

- 2005 – the Gas Tax Fund (GTF) was launched.
- 2007 - the program is extended to 2014 with additional funding of \$8 billion.
- Budget 2011 legislated GTF as a permanent \$2 billion per year.
- Budget 2013 announced additional changes.
 - \$2 billion of annual funding, indexed at 2% per year, beginning in 2014-15 (increases in 100M increments) – this aspect was also legislated.
 - Added 11 eligible categories for more flexibility for a total of 18.
- Renewed agreements negotiated and signed in 2013-2014.
- Budget 2016 confirmed transfer of uncommitted funds from older infrastructure programs - \$30 million was transferred in March 2017.
- Budget 2019 provided a one-time \$2.2 billion top-up to the GTF.

Current context

- The GTF is one of INFC's most flexible programs, both in terms of eligibility and management of the program.
- The federal government plays an arms-length administrative role to ensure oversight and accountability to Canadians.
- GTF is highly flexible and allows municipalities to bank and pool funding from year to year.

Public Transit	Community Energy Systems
Wastewater Infrastructure	Local Roads And Bridges
Drinking Water	Capacity Building
Solid Waste Management	Highways
Brownfield Redevelopment	Local And Regional Airports
Culture	Tourism
Short-sea Shipping	Sport
Short-line Rail	Recreation
Broadband And Connectivity	Disaster Mitigation

Governance

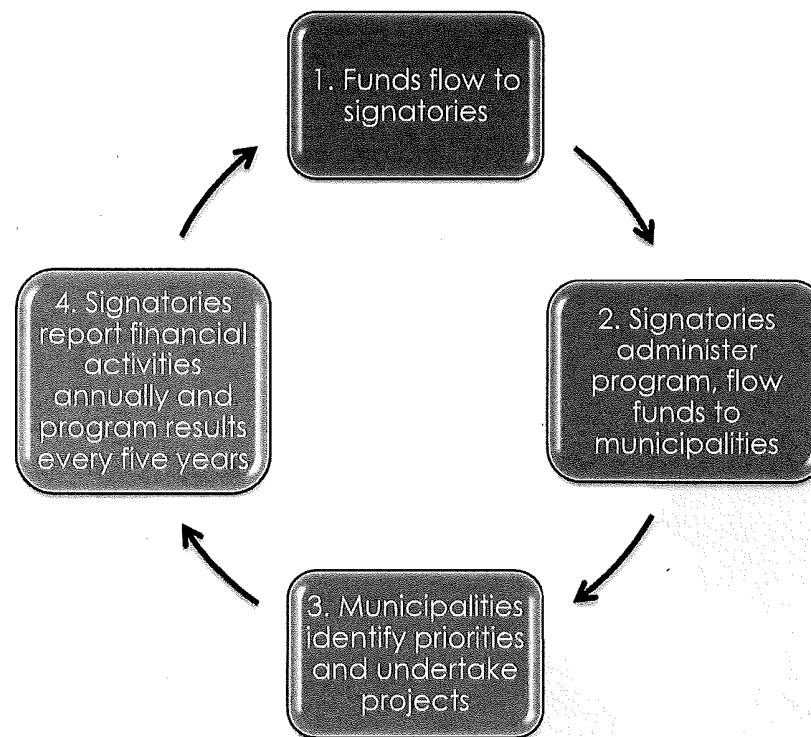
- Intent was to sign Gas Tax Fund agreements with provincial/territorial governments.
 - They would administer the program through funding agreements with municipalities.
- However, approach varied;
 - In British Columbia and Ontario, funds flow to municipalities via the provincial municipal associations (AMO and UBCM) who are signatories.
 - The City of Toronto is a direct signatory with Canada.
- All agreements are based on program terms and conditions but tailored to meet unique circumstances of each jurisdiction.
- All agreements required the establishment of an Oversight Committee - provide opportunities to keep each other informed of issues and ensure program is on track.
- INFC also holds an annual working-level workshop for all signatories.

Funding Allocations

- Based primarily on a per capita basis using Statistics Canada data:
 - PEI and the territories receive 0.75% of total
 - Remainder is distributed to other provinces on a per capita basis
 - A per-capita share of GTF is allocated for Canada's First Nations population and managed by Indigenous Services Canada
- Allocations are updated every five years following release of census data.
- Within each PT, different formulas and mechanisms are used to determine allocations to municipalities including:
 - Per capita distribution
 - Base funding + per capita distribution
 - Application-based component
 - Strategic carve-out to address priorities (e.g., funds for regional solid waste management facilities, public transit)

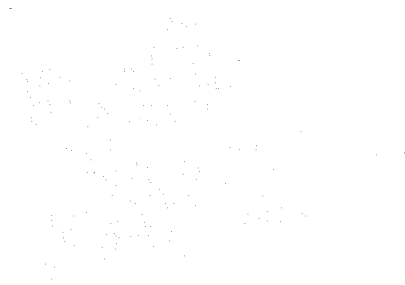
Program Delivery Flow

- GTF funds flow from Canada to P/Ts and Municipal Associations (Signatories) twice a year - early July and then later in the year, conditional on meeting reporting requirements.
- Signatories enter into agreements with municipalities for management of GTF within their jurisdiction, including flow of funds.
- Municipalities select projects within program parameters. The federal government has no role in selection or approval of projects.
- Each Fall, Signatories submit annual reports to Canada on funds spent in previous fiscal year and publish an outcomes report on progress every 5 years.



Investments and Commitments

- Given the environmental focus of the initial GTF, funds could be use for limited types of investments. Under the renewed GTF, in 2014, the number of eligible investment categories had been increased.
- Agreements also included specific requirements for municipalities such as:
 - Development of integrated community sustainability plans
 - Development of five-year capital plans
 - Adoption of public sector accounting rules
 - Make progress towards Asset Management objectives

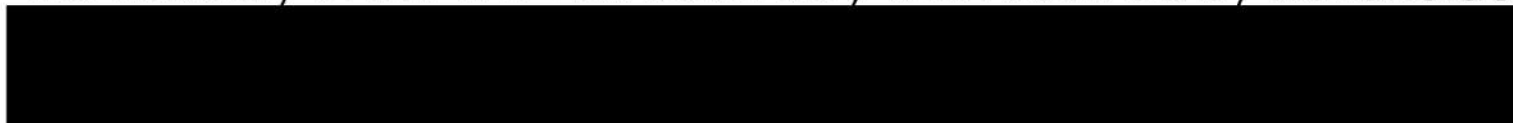


Accountability and Reporting

- Each fall, signatories provide an audited annual report to demonstrate previous year's compliance with GTF agreement:
 - Annual report includes a summary of how funding is spent, detailed financial statements and project lists;
 - Infrastructure Canada may withhold payments until the annual report is submitted and accepted;
 - Based on this reporting structure, project data and information is always a year behind (i.e. current as of end of calendar or fiscal year).
- Signatories must publish an Outcomes Report periodically (in 2009, 2014, 2019 and 2023).
 - Performance story explains how the program is progressing towards the expected results based on credible data.
- The GTF management accountability framework includes audit and evaluation provisions for the program.

Best practices, challenges and opportunities

- The flexibility of the GTF has been very well received by stakeholders.



- INFC has established a working group and is currently working with signatories in order to take stock on how to move ahead on a consistent approach to outcomes.
- Provinces, territories and municipal associations are low-risk, trusted partners.
 - The third-party delivery approach leverages this principle and allows INFC to focus on program monitoring while leaving the day-to-day management in the hands of signatories.
- By having 18 eligible project categories, the GTF funds projects which would not be eligible under other programs.
 - This complimentary approach to programming ensures that the majority of municipal infrastructure needs can still be funded by INFC's suite of programs.

GAS TAX FUND ALLOCATIONS

Province/territory	% Total Allocation	2019-20	2020-21	2021-22	2022-23	2023-24	2019-2024
British Columbia	12.7%	280,416,420	280,416,420	293,162,621	293,162,621	305,908,822	1,453,066,904
Alberta	11.1%	244,029,220	244,029,220	255,121,458	255,121,458	266,213,695	1,264,515,051
Saskatchewan	2.8%	62,571,380	62,571,380	65,415,534	65,415,534	68,259,687	324,233,515
Manitoba	3.3%	72,510,828	72,510,828	75,806,775	75,806,775	79,102,722	375,737,928
Ontario	37.1%	816,507,200	816,507,200	853,621,164	853,621,164	890,735,127	4,230,991,855
Quebec	22.5%	495,770,253	495,770,253	518,305,265	518,305,265	540,840,276	2,568,991,312
New Brunswick	2.0%	45,098,015	45,098,015	47,147,924	47,147,924	49,197,834	233,689,712
Nova Scotia	2.5%	55,829,094	55,829,094	58,366,780	58,366,780	60,904,466	289,296,214
Prince Edward Island	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Newfoundland and Labrador	1.4%	31,583,477	31,583,477	33,019,089	33,019,089	34,454,702	163,659,834
Yukon	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Northwest Territories	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
Nunavut	0.8%	16,500,000	16,500,000	17,250,000	17,250,000	18,000,000	85,500,000
First Nations	1.3%	29,684,113	29,684,113	31,033,391	31,033,391	32,382,668	153,817,676
Total	100.0%	\$2,200,000,000	\$2,200,000,000	\$2,300,000,000	\$2,300,000,000	\$2,400,000,000	\$11,400,000,000

- PT allocations based on Census 2015 data. Allocations for future will be updated every five year and based on Census data.
- Specific allocations to municipalities will be determined through federal-provincial-territorial GTF agreements.

Briefing Date: TBC

SECRET

SUMMARY OF KEY POINTS: GAS TAX FUND

- The Gas Tax Fund, launched in 2005, currently provides over \$2.2 billion in indexed funding annually for municipal projects (approximately 4000 projects annually).
 - There is no requirement for provinces or municipalities to provide matching funding to projects.
- Initially focused on environmental outcomes, it has since expanded to include 18 different funding categories.
 - The program offers flexibility to each jurisdiction on their specific needs, and respects provincial/territorial jurisdiction in matters of municipal infrastructure.
 - The program has been highly lauded by communities due this flexibility.
- Administrative agreements to implement the Fund are in place in each province and territory.
 - Signatories (typically only with provinces/territories, but also municipal associations in some cases) are responsible for daily management of Fund.
 - Although the Fund has been made permanent through legislation, the current administrative agreements are due for renewal prior to March 31, 2024.
- The total annual funding amount is allocated by province and territory on a per capita basis, with a base amount for the territories and Prince Edward Island.
 - Annual payments are authorized by a letter you send to your signatory counterparts.
- Further to Budget 2019's one-time doubling, the FCM has made public requests to make this doubling permanent.

Guidance Sought / Proposed Next Steps

- The next round of funding letters is expected for spring 2020.

-
-
-

